

Message Text

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E.O. 11652: N/A
TAGS: UNCTAD, ETRD, EFIN
SUBJECT: UNCTAD SECRETARIAT THINKING RE NEW INITIATIVES FOR
UNCTAD V AND BEYOND

1. SUMMARY: THE MISSION HAS OBTAINED A COPY OF THE PAPER
PREPARED FOR THE MEETING OF "PERSONALITIES" (SEE GENEVA
7337, PARA 10) WHICH CONTAINS PROBABLY THE BEST OUTLINE OF
CURRENT UNCTAD SECRETARIAT THINKING ON NEW INITIATIVES FOR
UNCTAD V AND BEYOND. A COPY OF THE PAPER IS BEING HAND-
CARRIED BY JOHN WILSON FOR CHARLES MEISSNER EB/IFD. END
SUMMARY.

2. THE UNCTAD SECRETARIAT PAPER PREPARED FOR THE MEETING OF
"PERSONALITIES", FRIENDS OF THE SECRETARY-GENERAL OF UNCTAD,
STARTS WITH THE PREMISE THAT THE RESULTS OF BOTH CIEC AND
UNCTAD IV "HAVE FALLEN SHORT OF EXPECTATIONS" - "CIEC
HAVING FAILED TO REACH AGREEMENT ON ANY PROGRAM OF ACTION
THAT COULD HAVE BEEN SPEEDILY AND EFFECTIVELY IMPLEMENTED"
AND UNCTAD IV INITIATIVES DESCRIBED AS HAVING "FOR THE
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GREATER PART MOVED INCONCLUSIVELY AT A SLOW PACE." THE
INTEGRATED PROGRAM FOR COMMODITIES HAS NOT GATHERED THE
EXPECTED MOMENTUM "PARTLY AS A CONSEQUENCE OF THE DELAY IN
SETTING UP THE COMMON FUND." THE NEGOTIATIONS ON THE CODE
OF CONDUCT FOR TRANSFER OF TECHNOLOGY AND ON RBPS ARE DE-
SCRIBED AS SLOW. PROGRESS ON THE DEBT ISSUE IS CONSIDERED
AS INVOLVING ONLY "SMALL BUT SIGNIFICANT CONCESSIONS ON THE

DEBT OF POORER DEVELOPING COUNTRIES."

3. THE OVERALL ASSESSMENT OF THE STATE OF PLAY OF THE NORTH-SOUTH DIALOGUE IS CHARACTERIZED AS REPRESENTING SOME DEGREE OF ACCEPTANCE BY THE DEVELOPED COUNTRIES ON CONCEPTS OF "A MORE EFFICIENT AND EQUITABLE MANAGEMENT OF THE WORLD ECONOMY" (AS AGAINST THE FREE PLAY OF MARKET FORCES). THE THIRD WORLD IS DESCRIBED AS HAVING BEEN "REMARKABLY SUCCESSFUL IN MAINTAINING A BASIC SOLIDARITY" DESPITE ITS DIVERSITY OF INTERESTS. THE SUMMARY OF THE PRESENT SITUATION ENDS WITH A RHETORICAL QUESTION THAT, WHILE THESE FACTORS MIGHT BE FAVORABLE, "BUT TO WHAT EXTENT DO THEY PROVIDE A SOLID BASIS FOR TAKING FORWARD THE INTERNATIONAL NEGOTIATIONS TO THE MORE CONCRETE PHASE OF IMPLEMENTING THE NIEO?"

4. UNDER THE GENERAL HEADING OF "ECONOMIC RECOVERY OR RESTRUCTURING", THE PAPER CHALLENGES THE DEVELOPED COUNTRIES' EMPHASIS ON RECOVERY VIS-A-VIS RESTRUCTURING OF THE INTERNATIONAL ECONOMIC SYSTEM. THE CYCLICAL APPROACH "FAILS TO RECOGNIZE THE INTRINSIC LINKS BETWEEN THE CURRENT ECONOMIC DIFFICULTIES, ON ONE HAND, AND THE UNDERLYING STRUCTURAL DISEQUILIBRIA IN THE PRESENT INTERNATIONAL DIVISION OF LABOR," INTERNATIONAL TRADING AND FINANCIAL SYSTEMS. THIS DEMANDS A NEW APPROACH TO ECONOMIC RECOVERY - "A NEW PERCEPTION OF THE INTERRELATIONSHIPS BETWEEN THE SHORT TERM LIMITED OFFICIAL USE

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PROBLEMS OF RECOVERY AND THE MORE FUNDAMENTAL ISSUE OF RESTRUCTURING", THE PRIMARY MEANS TO ACHIEVE SUSTAINED STABLE RECOVERY - RESTRUCTURING WITH EMPHASIS ON "MEASURES DESIGNED TO CREATE AND PROMOTE THE GROWTH OF EFFECTIVE LDC DEMAND."

5. THE SECRETARIAT DEEMS IT ESSENTIAL THAT LDCS FORMULATE "COMMON STRATEGIES RELATING TO EACH OF THE MAIN ISSUES INVOLVED IN A RESTRUCTURED WORLD ECONOMIC SYSTEM - A STRATEGY WHICH WOULD ENVISAGE ALTERNATIVE, VIABLE OPTIONS TO BE PURSUED BY THE LDCS THEMSELVES SHOULD NEGOTIATIONS WITH DEVELOPED COUNTRIES NOT PROVE SUCCESSFUL - "THE PRINCIPLE OF COLLECTIVE SELF-RELIANCE OF THE THIRD WORLD WOULD INDEED PROVIDE THE ENHANCED COUNTERVAILING POWERS TO LDCS."

6. ON THE ROLE OF UNCTAD, THE PAPER DESCRIBES THE DECISIONS REACHED AT UNCTAD IV AS GIVING THE UNCTAD THE ROLE OF "AN IMPORTANT FORUM FOR THE NEGOTIATING OF THE STRUCTURAL AND INSTITUTIONAL CHANGES IN INTERNATIONAL ECONOMIC RELATIONS" AS ENVISAGED BY THE NIEO (MISSION COMMENT: A GROSS EXAGGERATION OF THE NAIROBI DECISIONS) AS WELL AS CONTINUING ITS ROLE OF IDEA GENERATION. "MEANINGFUL MOVEMENT TOWARD A NIEO

WILL INEVITABLY INVOLVE NEGOTIATIONS... ON A MORE INTENSIVE AND CONTINUOUS BASIS" IN WHICH UNCTAD CAN PLAY AN IMPORTANT ROLE BY VIRTUE OF ITS "EXPERIENCE AND TECHNICAL EXPERTISE AS WELL AS ITS UNIVERSAL NATURE." THEREFORE "UNCTAD WILL NEED, MORE THAN EVER, TO BE A CENTER FOR NEW APPROACHES AND NEW SOLUTIONS."

7. THE MAIN PROBLEMS ON INTERNATIONAL TRADE AND DEVELOPMENT POLICIES ARE DESCRIBED AS A NEW WAVE OF PROTECTIONISM GIVING RISE TO QUESTIONS ABOUT ITS TEMPORARY NATURE OR ITS DEEP-SEATED STRUCTURAL NATURE; ITS ADVERSE IMPACT ON LDC ECONOMIES; PROBLEMS OF OVERCOMING AND ACCELERATING DEVELOPED COUNTRIES STRUCTURAL ADJUSTMENTS (INCLUDING "HARNESSING"

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TNCS IN SUPPORT OF A "BALANCED WORLD ECONOMIC DEVELOPMENT"); A NEED TO REVIEW THE EXISTING INSTITUTIONAL FRAMEWORK (I.E., GATT RULES OF THE GAME) TO TAKE INTO ACCOUNT DEVELOPMENT REQUIREMENTS; PROBLEMS OF INCREASING THE ROLE OF SOCIALIST STATES; AND PROBLEMS CURBING THE "PERVASIVE ACTIVITIES OF TNCS."

8. IN THE AREA OF MONETARY AND FINANCIAL ISSUES, THE PAPER BEGINS WITH THE PREMISE OF A NEED TO REFORM THE INTERNATIONAL MONETARY AND FINANCIAL SYSTEMS. IT IS NOT THAT THE RECYCLING OF OPEC SURPLUSES THROUGH THE COMMERCIAL BANKS OF DEVELOPED COUNTRIES HAS INCREASINGLY MADE THE PROCESS OF CREATION OF INTERNATIONAL LIQUIDITY PASS INTO THE HANDS OF

THE PRIVATE SECTOR, MAKING THE IMF ROLE RELATIVELY MINOR. THIS HAS RESULTED IN THE RECYCLED FUNDS BEING AVAILABLE ON FAIRLY SHORT TERM MATURITIES AND AT COMMERCIAL RATES - THEREBY INCREASING LDC DEBT BURDENS AND CREATING FOREIGN EXCHANGE INSTABILITIES. THE IMPORTANT ISSUE IS DESCRIBED AS THE NEED TO PAY ATTENTION (PRESUMABLY BY UNCTAD) TO WHAT ARE THE ELEMENTS OF A REFORMED WORLD FINANCIAL AND MONETARY LIMITED OFFICIAL USE

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SYSTEM; (THE CREATION OF A WORLD MONETARY AUTHORITY BEING SUGGESTED); TO REMEDIAL MEASURES NEEDED BY INTERNATIONAL ACTION ON THE LDC "DEBT BURDEN" CAUSED BY HEAVY DEPENDENCE ON SHORT TERM LOANS BY COMMERCIAL LENDERS; AND TO THE "BLURRING" OF TRADITIONAL DISTINCTIONS BETWEEN THE SHORT TERM BALANCE OF PAYMENTS SUPPORT AND LONGER TERM DEVELOPMENT FINANCE.

9. TURNING TO INTERNATIONAL FINANCIAL COOPERATION FOR DEVELOPMENT, THE SECRETARIAT CALLS FOR THE "ESTABLISHMENT OF AN EFFECTIVE SYSTEM OF FINANCIAL COOPERATION" WHICH RAISES THE FOLLOWING ISSUES: THE NEED FOR A "MECHANISM FOR GENERATING AN INDEPENDENT AND RELIABLE SOURCE OF CONCESSIONAL FINANCE UNDER INTERNATIONAL CONTROL" (HERE AN "INTERNATIONAL DEVELOPMENT TAX" IS SUGGESTED - SEE COMMENTS BELOW); A REVIVAL OF THE SDR LINK; AND SOME FORM OF "INTERMEDIATION" BY GOVERNMENTS TO ASSURE ACCESS TO PRIVATE CAPITAL MARKETS BY THE POORER LDCS ON ESPECIALLY FAVORABLE TERMS AND CONDITIONS. THE PAPER ASKS "WHAT" NEW MECHANISM IS REQUIRED TO CHANNEL A SUBSTANTIAL PORTION OF OPEC SURPLUSES DIRECTLY INTO PRODUCTIVE INVESTMENTS IN LDCS.

10. CONCERNING ECDC, THE SECRETARIAT DESCRIBES SUCH EFFORTS IN TERMS OF ENHANCING LDC BARGAINING POWER VIS-A-VIS DEVELOPED GOVERNMENTS AND TNCs AND, SECONDARILY, IN TERMS OF TAKING ADVANTAGE OF THE "VAST" POTENTIAL FOR MUTUAL BENEFIT.

11. COMMENT: WHILE THE PAPER DESCRIBED ABOVE WAS PREPARED AS A PRIVATE PAPER FOR PRESENTATION TO THE UNCTAD SYG'S "FRIENDS", IT OBVIOUSLY REPRESENTS THE MAIN-LINE THINKING OF THE SECRETARIAT FOR UNCTAD V AND BEYOND. SUCH IDEAS WOULD INJECT UNCTAD INTO A VASTLY EXPANDED SPHERE OF ACTIVITY THAN HAS BEEN ASSIGNED TO THAT ORGANIZATION, AN EFFORT BY THE SECRETARIAT WHICH WILL NOT FALL ON DEAF EARS WITHIN THE LIMITED OFFICIAL USE

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77. IT IS A GOOD OUTLINE OF PROBLEMS WHICH WILL HAVE TO BE FACED IN THIS FORUM.

12. THE CONCEPT OF A "WORLD DEVELOPMENT TAX" WAS EXPOUNDED AT LENGTH BY DIRECTOR ARSENIS IN A BRIEFING OF GROUP B. WHILE HE STATED THAT HE HAD NOT YET BROACHED THE SUBJECT WITH THE G-77, IT WAS APPARENTLY FLOATED IN THE MEETING OF "FRIENDS" MANY OF WHOM ARE G-77 LEADERS OR LIKE-MINDED. MR. ARSENIS INDICATED HE WOULD BE PURSUING THE CONCEPT IN CONSULTATIONS WITH GOVERNMENTS PRIOR TO INTRODUCING THE CONCEPT IN A FORMAL UNCTAD DOCUMENT.

13. GOING BEYOND THE OUTLINE GIVEN IN THE REPORTED PAPER, HE IDENTIFIED THE NEED FOR LONG TERM BOP FINANCING FOR MANY LDCS AS A STRUCTURAL PROBLEM TO BE TACKLED BY A WORLD "AUTHORITY", THE RECIPIENTS OF PROCEEDS OF THE WORLD DEVELOPMENT TAX. "SOMETHING" WAS NEEDED BETWEEN THE IMF SHORT-TERM BOP FINANCING AND THE LONGER-TERM IBRD DEVELOPMENT FINANCE, A GAP HE PROPOSED FILLING BY REVENUES OBTAINED BY PLACING A TAX ON INTERNATIONAL TRADE. OTHER FUNCTIONS WOULD BE TO SUBSIDIZE HIGH-RISK PRIVATE INVESTMENT. WHILE VAGUE IN HIS IDEAS, HE CALLED HIS SCHEME AS A "GRAND MARSHALL PLAN."

14. HIS PRESUMPTIVE AUTHORITY WOULD NOT COLLECT THE TAX DIRECTLY, BUT RATHER GOVERNMENTS WOULD COLLECT THE TAX ON ITS BEHALF AND TURN THE REVENUES OVER TO THE AUTHORITY - EACH COUNTRY WOULD BE ASSESSED ON ITS TRADE TAKING INTO ACCOUNT CERTAIN FACTORS, SUCH AS ITS BOP POSITION AND POSTURE VIS-A-VIS TRADE LIBERALIZATION. RESOURCES WOULD BE DISBURSED BY THE AUTHORITY ON THE BASIS OF NEED. HE LOOKS UPON HIS PROPOSAL AS A WAY OF GETTING AROUND THE NEED FOR ANNUAL LEGISLATIVE APPROPRIATION OF AID FUNDS AND OF ASSURING A STEADY FLOW OF TRANSFERRABLE RESOURCES. HE WOULD SEE IT AS A MEANS OF BREAKING DOWN THE ARTIFICIAL DISTIN-

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CTION BETWEEN DONOR/RECIPIENT COUNTRIES AND A SOURCE OF
GREATLY EXPANDED FUNDS.

15. GROUP B'S REACTION WAS NOT ENTHUSIASTIC.
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Message Attributes

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